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PET 10-3 LIBYA
XR PET 10-2 JAPAN

Department of State TELEGRAM

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1-14-71

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AMEMBASSY TEHRAN
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AMEMBASSY TRIPOLI
AMEMBASSY PARIS
OECD PARIS
AMCONSUL DHAHRAN
AMEMBASSY THEHAGUE

DEPARTMENT OF STATE A/CDC/MR
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C O N F I D E N T I A L BEIRUT 386

SUBJECT: POSSIBLE JAPANESE INTEREST IN LIBYAN CONCESSIONS

1. ON 14 JANUARY M. YABE, BEIRUT MANAGER JAPAN PETROLEUM DEVELOPMENT CORPORATION (JPDC) CALLED UPON EMBASSY PETROLEUM AFFAIRS OFFICER TO DISCUSS GENERAL MIDDLE EASTERN PETROLEUM SITUATION. HE STATED THAT HE WAS "RECEIVING FRANTIC CABLES FROM HIS HOME OFFICE INQUIRING AS TO WHAT WAS HAPPENING IN THE M.E."

2. IN COURSE OF VERY GENERAL DISCUSSION OF CURRENT DEVELOPMENTS, YABE ASKED EMBOFF HIS OPINION AS TO WHETHER OR NOT JPDC SHOULD NEGOTIATE FOR LIBYAN CONCESSIONS RECENTLY RELINQUISHED BY WESTERN OIL COMPANIES. EMBOFF REPLIED THAT THIS WAS A DECISION TO BE MADE BY JAPAN BUT THAT WESTERN COMPANIES OBVIOUSLY DID NOT

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REGARD PROSPECTS FOR THESE AREAS FAVORABLY OR THEY WOULD NOT HAVE RELINQUISHED CONCESSIONS. HOWEVER, HE NOTED THAT OIL COMPANIES FREQUENTLY HAVE DIFFERENT OPINIONS OF PROSPECTS FOR SAME AREA. GP-4.
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S/S:RTCURRAN:HHB
1/13/71 X23126
S/S:TLELIOT, JR.

EXCISE

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PRIORITY RUEHEX/WHITE HOUSE

EXDIS
WHITE HOUSE PLEASE PASS SAN CLEMENTE

FOLLOWING IS THE EVENING REPORT FOR JANUARY 13, 1971:

INTERNATIONAL OIL SITUATION - THE MAJOR OIL COMPANIES ARE SENDING A REPLY TO THE OPEC COUNTRIES IN WHICH THEY REQUEST A GENERAL NEGOTIATION BETWEEN THE COMPANIES AND OPEC AS A WHOLE. THE REPLY DOES NOT REJECT OPEC'S DEMANDS BUT RATHER PROPOSES A NEGOTIATION WHICH WOULD LOOK TO A GENERAL REVISION OF THE PRICE BASES FOR TAX LEVIES, TO SPECIAL TRANSPORTATION BONUSES FOR SHORT HAUL PRODUCING COUNTRIES, AND TO PRICE CHANGES LINKED TO AN INTERNATIONAL PRICE INDEX. OPEC IS ASKED FOR ITS PART TO AGREE NOT TO RAISE TAXES FOR 5 YEARS.

WE HAVE KEPT THE MAJOR CONSUMING COUNTRIES FULLY INFORMED THROUGH THEIR MISSIONS HERE AND THROUGH OUR POSTS ABROAD. THE CONSUMER REACTION SO FAR HAS BEEN THAT THE COMPANIES SHOULD STAND FIRM, EVEN AT THE RISK OF SOME INTERRUPTION IN THE FLOW OF OIL.

THE LIBYANS, WHO HAVE BEEN TAKING AN EXTREMELY STRONG STAND, ARE TO MEET AGAIN ON SATURDAY WITH TWO OF THE INDEPENDENTS: OCCIDENTAL AND BUNKER-HUNT. THE INTERNATIONAL INDUSTRY AS A WHOLE IS SEEKING TO WORK OUT A PLAN UNDER WHICH THE COMPANIES IMMEDIATELY THREATENED IN LIBYA WOULD BE ASSISTED BY OTHER

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PRODUCERS IF THEIR OPERATIONS ARE CUT BACK OR SHUT DOWN. THE SITUATION IN LIBYA, HOWEVER, DOES NOT LOOK AT ALL GOOD AND THERE COULD BE CUTBACKS IN LIBYAN SHIPMENTS TO WESTERN EUROPE AS EARLY AS NEXT WEEK.

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WE ARE ALSO INFORMING OUR MISSIONS IN THE OIL PRODUCING COUNTRIES ABOUT THE POSITION BEING TAKEN BY THE COMPANIES AND, AT THE DISCRETION OF THE POSTS, TO URGE THAT GOVERNMENTS EXAMINE THE COMPANY PROPOSALS
C CAREFULLY AND BE PREPARED TO ENTER INTO RESPONSIBLE NEGOTIATIONS.

AS A CONTINGENCY MEASURE, I HAVE ESTABLISHED AN INTERAGENCY TASK FORCE IN OUR OPERATIONS CENTER, TO INCLUDE REPRESENTATIVES FROM DEFENSE, INTERIOR, JUSTICE, AND ABE LINCOLN'S OFFICE. THE TASK FORCE HAD ITS FIRST MEETING THIS EVENING. SIGNED TLE FOR WILLIAM P. ROGERS 44